

Message Text

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ACTION EA-14

INFO OCT-01 NEA-10 ISO-00 AEC-11 AID-20 CEA-02 CIAE-00

CIEP-02 COME-00 DODE-00 EB-11 FEA-02 FPC-01 H-03

INR-10 INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01

SAM-01 SCI-06 SPC-03 SS-20 STR-08 TRSE-00 PA-04 PRS-01

USIA-15 DRC-01 /173 W

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R 260125Z MAR 74

FM AMEMBASSY RANGOON

TO SECSTATE WASHDC 7825

INFO AMEMBASSY BANGKOK

AMEMBASSY DACCA

AMEMBASSY NEW DELHI

AMEMBASSY SINGAPORE

AHUWBASSY JAKARTA 256

AMCONSUL HONG KONG

C O N F I D E N T I A L RANGOON 0783

EE.O. 11652: GDS

TAGS: ENRG BM

SUBJECT: BURMESE OFFSHORE OIL NEGOTIATIONS

RREEFF: (A) STATE 55582 NOTAL; (B) RANGOON 708

1. SUMMARY. IN MARCH 25 CONVERSATION, MOC MANAGING DIRECTOR AUNG KHIN DECLINED TO CONFIRM STRIKE REPORTED REF B BUT STATED SUCH A STRIKE WOULD NOT AFFECT ARRANGEMENTS WITH FOREIGN COMPANIES. AUNG KHIN CONFIRMED THAT MOC HOPES TO SIGN CONTRACT SOON WITH MARTABAN CITIES SERVICE (JOINTLY OWNED BY CITIES SERVICE, SUN, AND ROBRAY), WHOSE REPS RECEIVING UNUSUAL RED CARPET TREATMENT, INCLUDING SESSION WITH NE WIN. MOC PLANS TO CALL ABOUT EIGHT OTHER FINALISTS IN TURN AFTER COMPLETION OF CURRENT NEGOTIATIONS WITH MARTABAN CITIES SERVICE. MOST AMERICAN MAJORS APPARENTLY STILL ON FINAL LIST. END SUMMARY.

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2. MOC MANAGING DIRECTOR DR. AUNG KHIN ON MARCH 25 DECLINED TO CONFIRM OIL STRIKE REPORTED REF B. HOWEVER AUNG KHIN DID SAY THAT "IF OIL STRUCK" BY MOC WELL, ARRANGEMENTS WITH FOREIGN COMPANIES WOULD NOT BE AFFECTED; IN SUCH CASE, MOC WOULD MERELY RESERVE PORTION OF BLOCK WHERE OIL DISCOVERED TO EXPLOIT ON ITS OWN.

3. AUNG KHIN CONFIRMED THAT MOC CURRENTLY NEGOTIATING WITH GROUP CONSISTING OF CITIES SERVICE, SUN OIL, AND ROBRAY (ON THIRD EACH), WITH CITIES SERVICE TO BE OPERATOR THROUGH SUBSIDIARY MARTABAN CITIES SERVICE (REF A). AUNG KHIN SAID MOC HOPES TO SIGN CONTRACT SOON WITH THIS GROUP.

4. VISITING ROBRAY REPRESENTATIVE CONFIDED TO EMBASSY OFFICER THAT MARTABAN CITIES SERVICE CURRENTLY BIDDING ON ONLY ONE BLOCK-- SAME BLOCK WHERE MOC EIGHTH WELL STRUCK OIL. RELIABLE SOURCE REPORTED, HOWEVER, THAT MARTABAN CITIES SERVICE HOPES EVENTUALLY TO GET MUCH LARGER SHARE OF BUSINESS. REPS OF THIS COMPANY CURRENTLY IN TOWN HAVE RECEIVED UNUSUAL RED CARPET TREATMENT, AND CHIEF ROBRAY REP HAS HAD THREE-HOUR SESSION WITH NE WIN AND MINES MINISTER DR. NYI NYI (AUNG KHIN WAS APPARENTLY NOT PRESENT) ANDDD ANTICIPATES FURTHER SESSION WITH NE WIN. ALSO APPEARS THAT READING AND BATES PNS BACKED OUT OF PLANNED ASSOCIATION WITH ESSO AND NOW LINKED WITH MARTABAN CITIES SERVICE.

5. FOLLOWING COMPLETION OF NEGOTIATIONS WITH MARTABAN CITIES SERVICE, AUNG KHIN SAID MOC WILL CALL OTHER COMPANIES ONE BY ONE -- A PROCESS HE ESTIMATED WOULD EXTEND INTO 1975. AUNG KHIN STATED THAT NUMBER OF COMPANIES SLATED FOR FINAL DISCUSSIONS HAS BEEN NARROWED DOWN TO "ABOUT" NINE. HE DECLINED TO NAME ANY COMPANIES BUT SAID MOST OF MAJORS AND SOME INDEPENDENTS INCLUDED. HE SAID 75 PERCENT OF COMPANIES IN FINAL ROUND ARE AMERICAN.

6. AUNG KHIN STATED THERE HAS BEEN NO CHANGE IN TYPE OF CONTRACTS WHICH MOC PROPOSES TO SIGN WITH FOREIGN COMPANIES OR IN TYPES OF SERVICES MOC PLANS TO PROVIDE TO FOREIGN COMPANIES. MAIN PROBLEM REMAINING IS QUESTION OF DUTY-FREE IMPORTS FOR FOREIGN COMPANIES, WHICH OTHER GUB AGENCIES UNWILLING TO GRANT FOR FEAR CONFIDENTIAL

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OF SETTING UNDESIRABLE PRECEDENT. AUNG KHIN SEEMED UNCERTAIN HOW THIS PROBLEM WOULD BE SOLVED. AUNG KHIN ALSO NOTED THAT CONTRACTS WOULD HAVE TO BE APPROVED BY "THE GOVERNMENT" BUT DID NOT GIVE IMPRESSION THAT SUCH APPROVAL IN DOUBT.

7. HE ADDED THAT MOC PLANS TENTATIVELY TO CONSTRUCT OFFICE BUILDING (IN THAKETA) TO HOUSE COMPANIES (AND PROBABLY SOME MOC OPERATIONS) AND HOUSING (PROBABLY IN SYRIAM) FOR COMPANY PERSONNEL. WORK

WOULD BE DONE BY FOREIGN CONTRACTING FIRM, WHICH WOULD FINANCE CONSTRUCTION AND RECOVER COSTS FROM FIVE-YEAR ADVANCE RENTAL PAYMENTS BY COMPANIES. AUNG KHIN STRESSED, AS HE HAS IN PAST, BURMESE DESIRE FOR COMPANIES TO MAINTAIN LOW PROFILE.

8. NOT SURPRISINGLY, IN VIEW PARA 4 ABOVE, AUNG KHIN SEEMED NERVOUS AND MORE GUARDED IN HIS COMMENTS THAN USUAL. IN RESPONSE TO QUESTION, HE INDICATED HE HAS CANCELLED PLANS TO ATTEND OFFSHORE CONFERENCE IN HOUSTON IN MAY. CANCELLATION OSTENSIBLY DUE TO PRESSURE OF NEGOTIATIONS, BUT NOT IMPOSSIBLY HE FEELS HIS POSITION BECOMING INSECURE.

9. COMMENT: AUNG KHIN'S RETICENCE ON STRIKE REPORTED REF B COINCIDES WITH OTHER INDICATIONS THAT GUB TRYING HARD TO KEEP MATTER SECRET. HENCE, BELIEVE WE STILL CANNOT PASS THIS INFORMATION ON TO INTERESTED COMPANIES. DEPARTMENT MAY, HOWEVER, INFORM INTERESTED COMPANIES THAT MOC HAS EMBARKED ON FINAL TALKS PREPARATORY TO SIGNING CONTRACTS AND OTHER US COMPANIES LIKELY TO RECEIVE SUMMONS IN DUE COURSE.

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